

SECRET

**RESTRICTED**PERU - RAILROADS**A. POLICIES**

1. Basic rail policy is determined by the government. It involves promotion and construction of new railroads to unite the widely separated regions of the country. Peru is a country of great geographical contrasts. There are three Perus--the dry, narrow coastal plain with modern cities and ports; the Andean Sierras with mineral resources; and the immense montana sloping eastward to the Amazon plain. It is fundamental to the national economy that these regions be connected by efficient transportation.

The populous and politically influential Southern Peru area is isolated from the capital. It is politically expedient for the party in power to provide this region with efficient cross country railroads connecting the Pacific coast port of Mollendo (Matarani) with Bolivia via Lake Titicaca shipping. It is advantageous, furthermore, for Peru to maintain Bolivian good-will by protecting this valuable outlet for La Paz. Actually, the new harbor facilities at the protected port of Matarani are not subject to the Pacific swells which endanger loading and unloading at Mollendo, and thus have improved the safety of the operations.

2. There is little integration between railroad policy and that of other forms of transportation.
3. For strategic and military reasons the Peruvian government is interested in maintaining the railroad route into Bolivia. Peruvian flag steamers operate to Bolivian ports on international Lake Titicaca.
4. There are no subsidies to privately owned railroads. The true financial circumstances to State owned railroads cannot be determined because some maintenance expenses are not accounted for. The extent of subsidization of state-owned lines is thus difficult to ascertain. The government promoted the construction of a rail extension to the protected harbor of Matarani, however, which improved the service between Bolivia (La Paz) and the Pacific.
5. The government's rail transportation policy is unaffected by vested interests. The railroads are indispensable for moving bulk products. Terrain difficulties, however, have forced Peru to subordinate rail policy to the requirement of highway expansion.

**B. ORGANIZATION**

1. The railroads of Peru are controlled by the following agencies:

Ministry of Development and Public Works  
Bureau of Highways and Railroads  
Railroad Section  
    Department of Administration  
    Department of Operations  
    Department of Engineering

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2. The Bureau of Highways and Railroads is headed by a Director General who is directly responsible to the Ministry of Development and Public Works. A sub-director is in charge of the Railroad Section which in turn has departments for Administration, Operations and Engineering.
3. Highways and Railroads are coordinated within the Ministry of Development and Public Works. There is, no direct, coordination between the Ministries responsible for the various media of transportation. There is no appreciable overlapping or conflict between them or between the national agencies and the political subdivisions.
4. Formerly government supervision of highways, railroads and all other public works was the responsibility of a Bureau of Public Works and Transportation. This proved unsatisfactory and resulted in a reorganization into separate specialized bureaus under trained personnel.
5. There are no known plans for reorganization or the establishment of new agencies. The present governmental agencies are considered to be fulfilling their functions adequately. The railroad agencies are operated for the public good. They are relatively free from Political interference. Engineering is good, but there is a need for more mechanized construction.

C. ADMINISTRATION

1. New railroad construction is decided by the Construction and Studies Department of the Bureau of Highways and Railroads after recommendations from appropriate commissions following approval of the current budget. However there has been no new railway construction of importance during the last thirty years. This emphasizes the priority given the highway construction in national transportation policy.
2. The tariffs of privately owned public carrier railroads are stipulated in contracts approved by law and renegotiated every five years. Higher rates can be authorized only by new contracts or by decree approved by the Ministry of Public Works. The rate schedules must be within the maxima established by the Bureau of Highways and Railroads. Rates on state-owned lines connecting both private and common carriers are patterned after the latter.
3. Basic government policy has, for the last fifteen years, favored highway transportation against railway transport, by approving the construction of roads which in some cases parallel the rail routes. Motor transport units follow no fixed schedules, charge what the traffic will bear, furnish inferior service, compete for the best paying traffic, provide door to door service and are primarily in the hands of non-labile individual driver-owners. Consequently the railroads have not been able to increase rates despite higher operating costs.

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4. Railway safety measures established by the Bureau of Highways and Railways are enforced by the Bureau's inspectors. Railroad personnel is not subject to government regulations. Railway accidents are investigated by both police and the inspectors of the Bureau of Highways and Railways.
5. There are no government-fostered courses for training railroad technicians other than the courses offered by the National School of Engineering. Training procedures at this school are determined by the Ministry of Education.
6. The Peru-Bolivia trade treaty of 1935 makes no mention of operational agreements, merely stating that Peru will furnish safe conduct for tax-free Bolivian cargo. The Southern Railway is owned and operated by the Peruvian Corporation. Moreover this corporation owns the Lake Titicaca steamship line and the rail line from the Bolivian shore to La Paz. Through handling of passengers and freight is an integrated operation by the Peruvian Corporation. The Tacna-Arica railway, extending a few miles into Chile, is not subject to any operating agreements. Operations are entirely under Peruvian government control. Free transit over Chilean territory is provided in Article VII of the 1929 peace treaty.
7. Railways must submit reports to the Bureau of Highways and Railways covering traffic, rates, and accidents. Traffic figures are reported annually for analysis and compilation by the Statistical Section of the Bureau of Highways and Railways. Routine inspection reports are submitted to the same Bureau by government inspectors, while accident reports are forwarded to both the Bureau and the police.